



CAPRICORN METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 84 121 700 105

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2020

Corporate Directory

Directors

Mark Clark – Executive Chairman
Mark Okeby – Non-Executive Director
Myles Ertzen – Non-Executive Director

Company Secretary

Kim Massey

Registered Office & Principal Place of Business

Level 1, 28 Ord Street
WEST PERTH WA 6005

Telephone: +61 8 9212 4600
Facsimile: +61 8 9212 4699
Email: enquiries@capmet.com.au
Website: capmetals.com.au

Share Registry

Automic Pty Ltd
Level 2, 267 St Georges Terrace
PERTH WA 6000

Telephone: +61 2 9698 5414
Or 1300 288 664

Auditor

KPMG Perth
235 St Georges Terrace
PERTH WA 6000

Securities Exchange Listing

Australian Securities Exchange
ASX Code: CMM

Registered under the Corporations Act 2001 in the State of Western Australia on 22 September 2006

Contents

	Page No.
Directors' Report	2
Auditor's Independence Declaration	6
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Condensed Consolidated Statement of Financial Position	8
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
Notes to the Condensed Consolidated Financial Statements	11
Directors' Declaration	17
Independent Auditor's Review Report	18

Directors' Report

The Directors present their financial report of the Consolidated Group ("the Group" or "Capricorn") consisting of Capricorn Metals Ltd and the entities it controlled for the half year ended 31 December 2020, and the review report thereon.

DIRECTORS

The names of Directors who held office during or since the end of the half year, for the whole period unless otherwise stated:

Mr Mark Clark	(Executive Chairman).....Appointed 8 July 2019
Mr Mark Okeby	(Non-Executive Director).....Appointed 8 July 2019
Mr Myles Ertzen	(Non-Executive Director).....Appointed 13 September 2019

REVIEW OF OPERATIONS

Financial Review

The Group incurred a loss from ordinary activities after income tax of \$3,965,438 for the half year (half year ended 31 December 2019: \$8,873,625).

The Group had a cash balance of \$18,898,860 as at 31 December 2020 (30 June 2020: \$45,694,818).

Corporate

During the half year to 31 December 2020, the Group successfully completed a capital raising to institutional investors to raise \$32.3 million. 17 million shares at \$1.90 per share were issued to fund the development of the Karlawinda Gold Project ("KGP") and to provide funding for exploration activities.

On 20 October 2020, Capricorn announced that it had satisfied all conditions precedent to allow it to commence draw down on the \$80 million Macquarie Bank Ltd debt facility for the development of the KGP. As at the end of December 2020, the Group had drawn down \$2.5 million of the facility, with a further \$40 million drawn down subsequent to the end of the year. The cash position at the end of December 2020 was \$18.9 million with remaining available debt facility of \$77.5 million, providing total available funding of \$96.4 million representing a 29% contingency allowance at the midpoint of the forecast cost to complete of \$165 - \$175 million.

Subsequent to the end of December 2020, the Group committed \$1.2 million in a strategic investment with DiscovEx Resources Ltd ("DCX") via participation in a proposed share placement as announced by DCX on 18 January 2021. DCX holds controlling interests in the Sylvania Project tenements, an extensive 2,247 square kilometres, highly prospective package located adjacent to the KGP. If approved by DCX shareholders, Capricorn will become a substantial shareholder of DCX holding approximately 12% of the company's shares.

Response to Covid-19

On 30 January 2020, the World Health Organisation ("WHO") announced that the coronavirus ("Covid-19") outbreak was a global health emergency and later declared it a global pandemic. The Group has followed the formal guidance from the State and Federal health authorities by implementing measures to minimize the risk of infection and rate of transmission of the virus.

Site procedures have been established at the KGP to ensure strict adherence to these controls including health screening of all employees, contractors and deliveries made to the mine site; social distancing protocols; strict hygiene practices and staggering of meal times to limit social gatherings.

Operations Review – Karlawinda Gold Project

Capricorn Metals Ltd is constructing the wholly owned Karlawinda Gold Project (“KGP”) located 65 kilometres south-east of Newman in the Pilbara region of Western Australia. The project development is proceeding as planned and is expected to culminate in first gold production in the June 2021 quarter. The project is expected to produce between 110,000 – 125,000 ounces per annum over the life of mine which is approximately 12 years on current reserves.

During the period, the Company made significant progress on the development of the project as detailed below:

- Completion of concreting and civil earthworks for the processing plant;
- Completion of CIL tank fabrication and top of tank steel work;
- Manufacture and dispatch of the ball mill by CITIC to Karlawinda with installation commencing in February 2021;
- Arrival of steel pipe for the gas lateral pipeline on site with APA subcontractors mobilising to site and commencing installation in December 2020;
- Delivery to site of all major processing equipment and steel packages ready for installation including jaw crusher, cone crushers and screens;
- Significant progress on the construction of power station;
- Mining services contract awarded to MACA Mining Pty Ltd (MACA) with mobilisation to site in October 2020 and commencement on mining and construction of Tailings Storage Facility (TSF) in November 2020;
- Clearing and topsoiling of the airstrip runway completed; and
- Completion of 45,000 metre grade control programme on laterite zone of the deposit delineated over 4 million tonnes of ore for production with results in-line with the Ore Reserve in the areas drilled.



Mill and CIL tank area



Bibra open pit

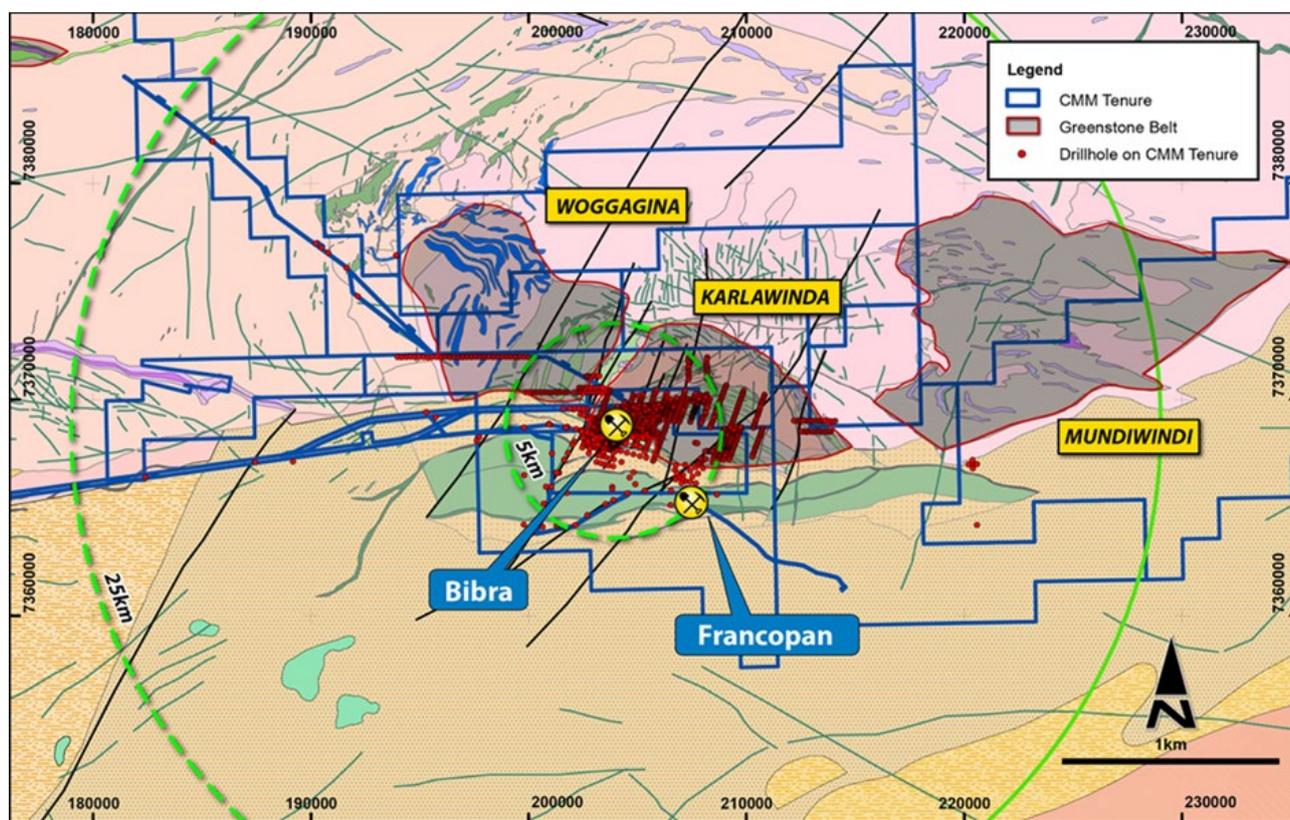
Exploration

Capricorn wholly owns a 2,052 square kilometre tenement package at Karlawinda which includes the greenstone belt hosting the 2.1 million ounce Resource and 1.2 million ounce Reserve Bibra gold deposit and other significant greenstone areas.

Due to the location of the project, in the Pilbara region of Western Australia (a region not historically explored for gold), very little modern and meaningful gold exploration has been completed outside of the immediate Bibra deposit (Figure 1). The Group is restricted to areas of the tenement package that are cleared for aboriginal heritage. A priority over the last 6 months has been to carry out the necessary ethnographical and archaeological surveys required to be able to conduct meaningful scale regional exploration activities on the tenure. This work has progressed significantly and will be ongoing as the Group continues extensive drilling programmes across the KGP ground.

In the September 2020 quarter the Group received consent from the Jigalong Community and the Minister for Mines and Petroleum to conduct exploration activities over tenements E52/3474 and E52/3533 which unlocks the Mundiwindi greenstone. The Mundiwindi greenstone was first identified through mapping in 2018 and has not been subject to any previous gold exploration. The rock types observed are interpreted to be similar to those seen within the host stratigraphy of Bibra and of similar metamorphic grade. This suggests both areas are similar age and tectonic regime.

Heritage surveys on large areas are expected to commence shortly in order to facilitate an initial broad scale reconnaissance aircore drilling programme across this prospective area.



Drilling on Capricorn tenements surrounding the Bibra deposit

Aircore Drilling Programme

A study of the geological, geophysical and geochemical datasets from Capricorn's exploration activities identified 8 high-quality targets within a 15 kilometre radius of the Karlawinda processing plant location. These 8 targets are located on geochemical anomalies with little to no historic drilling. The anomalies are in several cases coincident with major fault structures and geological contacts that contain gold mineralisation along strike and a 20,000 metre drill programme has been developed to test these targets.

An aircore (AC) drill rig was mobilised to site during the September 2020 quarter to drill an 11,000 metre AC drilling programme, which is a subset of the 20,000 metre total programme planned to test the 8 targets. The 11,000m (Phase 1) programme falls within previously heritage cleared areas whilst heritage surveys over the remaining uncleared areas (Phase 2) was conducted in late 2020. Phase 2 is expected to be drilled in the June 2021 quarter. A significant amount of drilling in Phase 1 related to sterilisation drilling for infrastructure purposes.

RC Drilling Programme

In late December 2020, a reverse circulation ("RC") drill rig was mobilized to site to infill drill areas of the Resource where existing drilling consists of mainly shallow aircore holes. The programme is designed to convert Inferred Resources within the March 2020 Mineral Resource Estimate ("MRE") to Indicated between the current \$1,600 Ore Reserve pit design and higher gold price open-pit optimisations and test extensions to the Southern Corridor pit. The programme is expected to be completed in the March 2021 quarter.

Aeromagnetic Survey

In September 2020, the Group commenced a high resolution (50m line spaced) aeromagnetic survey over the regional tenement package (~36,000 line kilometres), which was completed in January 2021.

Currently Capricorn only has high resolution surveys over the project area (Bibra) and Mundiwindi, with the remainder of the tenement package being 200 metre line spaced open file surveys. The new survey will be merged with the existing detailed surveys to create a complete detailed image of the whole tenement package. This will allow detailed structural and lithological interpretation which can then be used as a framework for target generation.

Events After Balance Date

Except as disclosed above, there have been no other events subsequent to balance date that would significantly affect the amounts reported in the consolidated financial statements as at and for the half-year ended 31 December 2020.

Auditors' Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on the following page and forms part of the Directors' Report for the half-year ended 31 December 2020.

This report is signed in accordance with a resolution of the Board of Directors.



Mr Mark Clark

Executive Chairman

Perth, Western Australia

10 March 2021



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Capricorn Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Capricorn Metals Limited for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a small dot at the end.

R Gambitta
Partner

Perth

10 March 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2020

	Note	Consolidated	
		31 December 2020	31 December 2019
		\$	\$
Revenue		48,340	70,387
Other income		100,015	72,113
Total revenue		148,355	142,500
Gain / (loss) on disposal of other financial assets		-	(5,620)
Fair value gain / (loss) on financial assets	5	22,000	(30,000)
Personnel costs		(1,617,873)	(1,753,698)
Share-based payment expense	11	(1,638,036)	(6,970,973)
Depreciation		(112,208)	(85,576)
Administration expenses		(411,924)	(439,387)
Exploration expenditure		(6,954)	(43,783)
Finance income / (expenses)		(348,798)	311,254
Reversal of impairment on receivable		-	1,658
Total expenses		(4,113,793)	(9,016,125)
Loss before income tax expense		(3,965,438)	(8,873,625)
Income tax expense		-	-
Net loss attributable to members of the parent entity		(3,965,438)	(8,873,625)
Other Comprehensive Income:			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
- Adjustment from translation of foreign controlled entities		(121,038)	(1,419)
Total comprehensive loss for the period		(4,086,476)	(8,875,044)
Earnings per share:			
Basic loss per share (cents per share)		(1.16)	(0.75)
Diluted loss per share (cents per share)		(1.16)	(0.75)

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Financial Position
As at 31 December 2020

	Note	Consolidated	
		31 December 2020	30 June 2020
		\$	\$
Current Assets			
Cash and cash equivalents		18,898,860	45,694,818
Other current receivables		1,638,812	1,433,673
Other current assets		523,040	608,333
Other financial assets	5	90,000	68,000
Assets classified as held for sale	7	2,446,844	2,700,000
Total Current Assets		23,597,556	50,504,824
Non-Current Assets			
Other non-current receivables		248,882	323,364
Plant & equipment		699,141	868,888
Right-of-use assets	8	1,154,001	217,739
Deferred exploration and evaluation costs	3	2,011,253	541,705
Mine properties under development	6	130,899,076	66,277,430
Total Non-Current Assets		135,012,353	68,229,126
Total Assets		158,609,909	118,733,950
Current Liabilities			
Trade and other payables		13,036,783	12,691,038
Interest bearing liabilities		6,814	-
Lease liabilities	8	597,022	133,591
Provisions	9	694,613	475,074
Total Current Liabilities		14,335,232	13,299,703
Non-Current Liabilities			
Interest bearing liabilities		2,500,000	-
Lease liabilities	8	262,089	119,203
Provisions	9	11,377,160	3,838,985
Total Non-Current Liabilities		14,139,249	3,958,188
Total Liabilities		28,474,481	17,257,891
Net Assets		130,135,428	101,476,059
Equity			
Issued capital	10	176,148,162	145,040,353
Reserves		10,235,487	8,718,489
Accumulated losses		(56,248,221)	(52,282,783)
Total Equity		130,135,428	101,476,059

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 December 2020

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	62,633,017	(39,303,622)	(696,952)	1,184,893	23,817,336
Loss for the period	-	(8,873,625)	-	-	(8,873,625)
Other comprehensive income	-	-	(1,419)	-	(1,419)
Total comprehensive income	-	(8,873,625)	(1,419)	-	(8,875,044)
Issue of shares	83,277,956	-	-	-	83,277,956
Costs of capital raised	(2,214,856)	-	-	-	(2,214,856)
Share based payments	-	-	-	6,970,973	6,970,973
Balance as at 31 December 2019	143,696,117	(48,177,247)	(698,371)	8,155,866	102,976,365
Balance as at 1 July 2020	145,040,353	(52,282,783)	(703,727)	9,422,216	101,476,059
Loss for the period	-	(3,965,438)	-	-	(3,965,438)
Other comprehensive income	-	-	(121,038)	-	(121,038)
Total comprehensive income	-	(3,965,438)	(121,038)	-	(4,086,476)
Issue of shares	32,430,001	-	-	-	32,430,001
Costs of capital raised	(1,322,192)	-	-	-	(1,322,191)
Share based payments	-	-	-	1,638,036	1,638,036
Balance as at 31 December 2020	176,148,162	(56,248,221)	(824,765)	11,060,252	130,135,428

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Cash Flows
For the half year ended 31 December 2020

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Cash flows from Operating Activities		
Payments to suppliers and employees	(2,927,341)	(2,498,664)
Payments for exploration expenditure	-	(43,605)
Interest received (paid)	(307,347)	337,960
Royalties received / (paid)	48,340	(1,314)
Grant income received	100,015	72,113
Rental income received	-	57,640
Net cash used in operating activities	(3,086,333)	(2,075,870)
Cash flows from Investing Activities		
Payments for property, plant & equipment	(237,005)	(127,366)
Payments for mine properties under development	(55,542,292)	(6,697,504)
Payments for capitalised exploration expenditure	(1,417,008)	(2,219,404)
Net cash used in investing activities	(57,196,305)	(9,044,274)
Cash flows from Financing Activities		
Proceeds received from the issue of shares	32,300,000	83,277,956
Costs of capital raised	(1,223,814)	(2,214,855)
Payment of transaction costs	-	(1,605,000)
Proceeds received from exercise of options	130,001	-
Proceeds from borrowings	2,500,000	-
Repayment of lease liabilities	(219,507)	-
Net cash provided by financing activities	33,486,680	79,458,101
Net increase / (decrease) in cash and cash equivalents held	(26,795,958)	68,337,957
Cash and cash equivalents at beginning of the period	45,694,818	9,039,767
Effect of exchange rates on cash holdings in foreign currencies	-	(59)
Cash and cash equivalents at end of the period	18,898,860	77,377,665

The accompanying notes form part of these financial statements

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

b) Basis of preparation

The consolidated financial statements for the half-year ended 31 December 2020 have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

c) Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those described in the last annual financial statements.

d) Comparatives amounts

Certain comparative disclosures have been reclassified to conform to the current year's presentation.

e) Standards and Interpretations adopted in the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2020.

There have been no new and revised standards that have had a significant impact on the measurement or disclosure requirements of the Group, although there has been no impact.

f) Going concern

The Group has incurred a loss of \$3,965,438 and a net cash outflow of \$26,795,958 during the half year ended 31 December 2020. The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. The ability of the Group to continue to adopt the going concern basis assumes the successful completion of the Karlawinda Gold Project and subsequent revenue from this operation, which the directors believe will occur in an appropriate time frame.

NOTE 2 – SEGMENT INFORMATION

The following table presents profit and loss information for reportable segments for the half-years ended 31 December 2020 and 2019, respectively.

	Australia	Madagascar	Unallocated	Group
	\$	\$	\$	\$
31 December 2020				
Revenue				
Revenue	-	48,340	-	48,340
Other income	100,000	15	-	100,015
Total segment revenue	100,000	48,355	-	148,355
Result				
Loss before Income tax	(3,788,936)	(176,502)	-	(3,965,438)

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

31 December 2019	Australia \$	Madagascar \$	Unallocated \$	Group \$
Revenue				
Revenue	-	59,296	11,091	70,387
Other income	72,113	-	-	72,113
Total segment revenue	72,113	59,296	11,091	142,500
Result				
Profit/(loss) before Income tax	(8,867,667)	2,165	(8,123)	(8,873,625)

Segments assets and liabilities as at 31 December 2020 and 30 June 2020 are as follows:

31 December 2020	Australia \$	Madagascar \$	Unallocated \$	Group \$
Assets/ Liabilities				
Segment assets	156,083,999	1,768,109	757,801	158,609,909
Segment liabilities	28,440,973	7,323	26,185	28,474,481
30 June 2020				
Assets/ Liabilities				
Segment assets	116,387,810	2,252,774	93,366	118,733,950
Segment liabilities	17,802,940	9,967	(555,015)	17,257,891

NOTE 3 – DEFERRED EXPLORATION & EVALUATION COSTS

	31 December 2020 \$	30 June 2020 \$
As at 1 July	541,705	12,078,608
Expenditure for the period	1,469,548	3,208,783
Transferred to Mine properties under development	-	(14,479,814)
Impairment	-	(265,872)
Total Deferred Exploration and Evaluation Costs	2,011,253	541,705

NOTE 4 – DIVIDENDS

No dividend has been paid or proposed.

NOTE 5 – OTHER FINANCIAL ASSETS

Part of the consideration for the sale of the subsidiary group comprising Madagascar Graphite Ltd and Mada-Aust SARL was the issue of 2,000,000 fully paid ordinary shares in the capital of BlackEarth Minerals NL.

	31 December 2020 \$	30 June 2020 \$
Current:		
As at 1 July	68,000	128,000
Fair value adjustment	22,000	(60,000)
Total Other Financial Assets	90,000	68,000

Fair value of listed shares and assumptions:

	31 December 2020	30 June 2020
Fair value per listed share	\$0.045	\$0.034
Closing quoting bid price per share	\$0.045	\$0.034

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

NOTE 6 – MINE PROPERTIES UNDER DEVELOPMENT

	31 December 2020	30 June 2020
	\$	\$
As at 1 July	66,277,430	-
Construction expenditure capitalised	48,320,791	45,213,153
Pre-production expenditure capitalised	8,677,994	965,689
Rehabilitation additions	7,622,861	4,118,774
Transfer from property, plant & equipment	-	1,500,000
Transfer from exploration	-	14,479,814
Total Mine Properties Under Development	130,899,076	66,277,430

NOTE 7 – ASSETS HELD FOR SALE

	31 December 2020	30 June 2020
	\$	\$
Property asset	4,500,000	4,500,000
Impairment	(1,800,000)	(1,800,000)
Adjustment for FX	(253,156)	-
Total Assets Held for Sale	2,446,844	2,700,000

The Group intends to dispose of a freely held property asset located in Antanarirvo, Madagascar within the next 12 months. This property of 19,373m² containing a number of buildings, including offices, warehouses and villa accommodation, is a unique asset with limited potential buyers.

An annual market valuation was completed by Cabinet D'Expertise Audit Techniques Et Conseils Qualities in June 2020 of 7,235,880,000 Ariary (AUD \$2,757,629). On the basis of the current valuation, and consideration for the unique nature of the property, the Directors considered it prudent to impair the carrying value of this asset by an additional \$200,000 at 30 June 2020 in addition to the existing \$1,600,000 impairment as at 30 June 2019. There has been no additional impairment recorded for the half year ended 31 December 2020.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

NOTE 8 – LEASES

Right of Use Assets

	31 December 2020	30 June 2020
	\$	\$
As at 1 July	217,739	335,775
Additions to right of use assets	1,095,955	-
Depreciation charge for the year	(59,018)	(118,036)
Depreciation charge capitalised for the year	(100,675)	-
Total Right of Use Assets	1,154,001	217,739

During the half year ended 31 December 2020, the Group recognised additional right-of-use assets relating to a Wheel Loader and Hydraulic Crane, being used in the construction and eventually the operation of the KGP.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

Lease Liabilities

	31 December 2020	30 June 2020
	\$	\$
Current		
Lease liabilities	597,022	133,591
Total Current Lease Liabilities	597,022	133,591
Non-Current		
Lease liabilities	262,089	119,203
Total Non-Current Lease Liabilities	262,089	119,203
Total Lease Liabilities	859,111	252,794

NOTE 9 – PROVISIONS

	31 December 2020	30 June 2020
	\$	\$
Current		
Annual leave	303,016	173,197
Rehabilitation	391,598	301,877
Total Current Provisions	694,613	475,074
Non-current		
Long service leave	27,122	22,088
Rehabilitation	11,350,038	3,816,897
Total Non-Current Provisions	11,377,160	3,838,985
Total Provisions	11,768,757	4,314,059
Provision for rehabilitation		
Balance at beginning of period	4,118,774	-
Provisions made during the year	7,622,861	4,118,774
Balance at the end of the period	11,741,635	4,118,774

The Group assesses site rehabilitation liabilities on an annual basis. The provision recognised is based on an assessment of the estimated cost of closure and reclamation of the areas using internal information concerning environmental issues in the exploration and previously mined areas, discounted to present value. Significant estimation is required in determining the provision for site rehabilitation as there are many factors that may affect the timing and ultimate cost to rehabilitate sites where mining and/or exploration activities have previously taken place. These factors include future development/exploration activity, changes in the costs of goods and services required for restoration activity and changes to the legal and regulatory framework. These factors may result in future actual expenditure differing from the amounts currently provided.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

NOTE 10 – ISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
Ordinary shares – issued and fully paid	176,148,162	145,040,353
Movement in ordinary shares on issue:	Number of shares	\$
As at 1 July 2019	936,533,344	62,633,017
Issue of shares	687,172,429	83,259,956
Issued on exercise of options	2,060,000	1,370,000
Share consolidation ⁽¹⁾	(1,298,964,300)	-
Costs of capital raised	-	(2,222,620)
As at 30 June 2020	326,801,473	145,040,353
Issue of shares ⁽²⁾	17,000,000	32,300,000
Issued on exercise of options	173,334	130,001
Costs of capital raised	-	(1,322,192)
As at 31 December 2020	343,974,807	176,148,162

There are no preference shares on issue.

Notes:

- 20 November 2019: Shareholders approved a resolution to consolidate the Group's issued capital through the conversion of every five existing shares into one share.
- 5 August 2020: 17,000,000 shares were issued at a price of \$1.90 per share subsequent to the completion of a placement to shareholders.

The Group has no maximum authorised share capital. Ordinary shares do not have a par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Securities Exchange Listing

Total Issued Capital is 343,974,807 shares, all of which were listed on the ASX as at 31 December 2020.

NOTE 11 – SHARE-BASED PAYMENTS

Performance Rights

In October 2020, 325,000 Performance Rights were granted to employees under the Group's Performance Rights Plan. 50% of the rights will vest on 30 September 2022 and the remaining rights will vest on 30 September 2023.

The fair value at the grant date was estimated using a Black Scholes option pricing model. The below table details the terms and conditions of the grant and the assumptions used in estimating the fair value:

Grant date	19 October 2019
Share price at grant date	\$1.775
Exercise price	Nil
Dividend yield	0%
Risk free rate	0.13% - 0.14%
Volatility	95% - 123%
Performance period	2 - 3 years

The fair value of the Performance Rights granted during the half-year was \$576,876. The Group recognised an expense of \$42,308 for the period ended 31 December 2020.

In the half-year ended 31 December 2020, the Group has recognised total share-based payments expense (for new and existing grants) of \$1,638,036 in the statement of comprehensive income (2019: \$6,970,973).

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

NOTE 12 – CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 December 2020 (30 June 2020: Nil).

As at 31 December 2020 Capricorn Metals Ltd has bank guarantees totalling \$324,141 (30 June 2020: \$363,364).

As at 31 December 2020 the Group has utilised \$12.5 million of the \$20 million Bank Guarantee facility with MBL under the existing Project Loan Facility.

NOTE 13 – COMMITMENTS

Physical Gold Delivery Commitments

As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier Macquarie Bank Limited ("MBL"), the Group has entered into a gold forward contract to manage the gold price of a proportion of anticipated sales of gold. The contracts are accounted for as sale contracts with revenue recognised once gold has been delivered to MBL or its agent. The physical gold delivery contracts are considered a contract to sell a non-financial item and therefore do not fall within the scope of AASB 9 Financial Instruments. Hence no derivatives are recognised. The contracted sales price is rounded to the nearest dollar.

	Gold for physical delivery ounces	Contracted gold sale price \$	Value of committed sales \$	Mark-to-market \$
Between one and five years				
- Fixed forward contracts	200,000	2,250	450,000,000	(41,304,000)

Mark-to-market has been calculated using the average forward price of \$2,457 per ounce as at 31 December 2020.

Mark-to-market represents the value of the open contracts at balance date, calculated with reference to the gold average forward price at that date. A negative amount reflects a valuation in the counterparty's favour.

On 6 January 2020, the Group entered into a call option contract of 16,700 ounces with a strike price of \$2,260 per ounce with Macquarie Bank Limited expiring 30 June 2025.

The Group has no other gold sale commitments (June 2020: Nil).

Gas Pipeline Construction and Supply

During May 2020, Capricorn entered into an agreement with APA Group ("APA") (ASX: APA) for the transportation of gas from the Goldfields Gas Pipeline ("GGP"). As part of this agreement, APA will build, own and operate the lateral pipeline that links GGP to the Karlawinda Gold Project. The terms of the agreement commit the Group to purchasing the right to use the gas pipeline including the lateral pipeline being built for ongoing gas supply over five years for an estimated \$31.1m.

Power Station Construction and Supply

During May 2020, Capricorn executed a power supply agreement with Contract Power Australia Pty Ltd ("Contract Power") to build, own and operate a 16MW gas fuelled station with 2MW of diesel back-up at the Karlawinda Gold Project. The terms of the agreement commit the Group to the right to use the Power Station being built and provides ongoing power supply for eight years for approximately \$31.5m which includes both fixed and variable pricing components.

NOTE 14 – EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of December 2020, the Group has:

- Drawn down an additional \$40 million on the Macquarie Bank Ltd debt facility for the development of the KGP taking the total amount drawn down to \$42.5 million.
- Committed \$1.2 million in a strategic investment with DiscovEx Resources Ltd ("DCX") via participation in a proposed share placement as announced by DCX on 18 January 2021. DCX holds controlling interests in the Sylvania Project tenements, an extensive 2,247 square kilometres, highly prospective package located adjacent to the KGP. If approved by DCX shareholders, Capricorn will become a substantial shareholder of DCX holding approximately 12% of the company's shares.

Except as disclosed above, there have been no other events subsequent to balance date that would significantly affect the amounts reported in the consolidated financial statements as at and for the half-year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2020 (Continued)

The Directors of the company declare that:

The financial statements and notes, as set out on pages 7 to 16, are in accordance with the Corporations Act 2001, including:

- i. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



Mr Mark Clark

Executive Chairman

Perth, Western Australia

10 March 2021



Independent Auditor's Review Report

To the shareholders of Capricorn Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying **Half-Year Financial Report** of Capricorn Metals Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-Year Financial Report of Capricorn Metals Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-Year Financial Report** comprises the:

- Condensed consolidated statement of financial position as at 31 December 2020
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- Directors' Declaration.

The **Group** comprises Capricorn Metals Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Responsibilities of the Directors for the Half-Year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-Year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-Year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the Half-Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-Year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

R Gambitta
Partner

Perth

10 March 2021